



Control Number: 51812



Item Number: 85

Addendum StartPage: 0

PROJECT NO. 51812

ISSUES RELATED TO THE
STATE OF DISASTER FOR THE
FEBRUARY 2021 WINTER
WEATHER EVENT

§
§
§
§
§

RECEIVED
2021 MAR -5 11:01 AM
BEFORE THE
PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
OF TEXAS

RESPONSE TO VISTRA CORP'S COMMENTS ON IMM RECOMMENDATION
TO CAP ANCILLARY SERVICE PRICES

In its March 4, 2021 filing (Control Number 51812, Item Number 60), Vistra Corp. ("Vistra") made certain arguments we believe warrant response.

Arguing that the Commission should "address repricing issues... holistically," Vistra asserts that residential customers are typically not affected by ancillary services prices. In addition to Retail Electric Providers ("REP"s) who provide index-based rates, Vistra ignores residential and small commercial customers who have expired electricity contracts ("rollover customers") or are on a month-to-month rate with their REP. To our knowledge, there is no publicly available data on the size or demographics of this particular customer class, and REPs often treat rollover and month-to-month pricing as proprietary. Verdigris Energy's experience leads us to believe that the number of customers on these short-term rates may be surprisingly high, and that many may have exposure to ancillary service prices. If the Commission concurs with Vistra's recommendation to conduct such a holistic review, we urge the Commission to require REPs to report how each will determine the prices charged to rollover and month-to-month customers during the week in question, indicating the number of customers and volume of energy sold. We recommend this be reported separately for residential and small commercial classes.

In asserting that market participants should have known that ancillary services prices could exceed \$9,000/MW/h, Vistra provides, as evidence, a Market

Notice by ERCOT on February 14¹ at 5:43pm. That notice begins, "ERCOT has received questions from Market Participants regarding high Market Clearing Prices for Capacity." This introductory statement contradicts Vistra's assertion that some market participants didn't know ancillary service prices could exceed the offer cap. Indeed, the February 14 day-ahead MCPC schedule for February 15 was the first time RRS or any of the ancillary services exceeded the offer cap, with the RRS MCPC hitting \$21,819/MW in hour 10.

Economists have a term for people's willingness to pay for certain things when prices increase. That term is elasticity. We may reasonably say that the elasticity of demand for clean water is infinite, as people will pay any amount to have it when it becomes adequately scarce, such as after a hurricane. When temperatures fall to the single digits, electricity becomes such a necessity. Vistra concludes its comments, noting that, "pricing outcomes were reflective of actual scarcity of supply" which sounds reasonable until one considers the *reason* supply was scarce. It was not scarce due to a lack of installed capacity, but due to the inability of some generators to weather the storm. The Commission must decide whether the loss of supply *during a natural disaster* warrants unlimited prices. Until last month, many market participants thought that question had already been answered "No" by the Commission, and capped at \$9,000/MWh. The Independent Market Monitor's recommendation should be accepted.

Respectfully Submitted,

Jeffrey Nottingham
Energy Economist
Verdigris Energy, LLC
PUCT Registered Broker BR190580
PUCT Registered Aggregator AG110015
P. O. Box 1777, Allen, TX 75013
469.853.8506; jnottingham@verdigrisenergy.com

¹ ERCOT Market Notice, M-D021421-01